



**STATE BOARD OF EQUALIZATION**

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September 20, 1994

BURTON W. OLIVER  
*Executive Director*

X-----

Dear X-----,

This is in response to your letter dated June 29, 1994 regarding whether you have to pay sales tax (reimbursement) to your printer.

You design and publish a book of coupons, "Super Value Coupons & Business Directory." You state that after receiving an order from a client for you to prepare a coupon, you make a rough layout of the coupon. You take the rough layout to your printer and ask the printer to prepare a layout of the coupon accordingly. Next, you take the printer's layout to your client for approval, corrections, and changes. We assume that the printer retains title to its layouts and that you obtain temporary possession merely for inspection and approval. The printer prints pages containing coupons from several clients, then takes the pages to another company which assembles the printed matter into coupon booklets. Later, the printer turns the finished products over to a carrier to be taken to a mailing house for addressing. The mailing house delivers the coupon books to the U.S. Postal Service for delivery to households by zip code.

Retail sales of tangible personal property in California are subject to sales tax, which is measured by gross receipts, unless specifically exempt by statute. (Rev. & Tax. Code § 6051.) A retail sale is a sale for any purpose other than resale in the regular course of business. (Rev. & Tax. Code § 6007.) Since the printer is the seller and you are the purchaser of the coupon books, and since you do not resell the books, the printer's sale to you is subject to sales tax unless that sale is exempt by statute.

An exemption which might be applicable to the printer's sales of the coupon book "is set forth in Revenue and Taxation Code section 6379.5, which provides:

**“Printed sales messages for goods and services printed to the special order of the purchaser.** There are exempted from the taxes imposed by this part the gross receipts from the sale of, and the storage, use, or other consumption in this state of catalogs, letters, circulars, brochures, and pamphlets consisting substantially of printed sales messages for goods and services printed to the special order of the purchaser and mailed or delivered by the seller, the seller's agent, or a mailing house, acting as the agent for the

purchaser, through the United States Postal Service or by common carrier to any other person at no cost to that person who becomes the owner thereof.”

Regulation 1541.5 defines printed sales messages to include coupon books, because they are printed for the principal purpose of advertising or promoting goods or services. A printed sales message “printed to the special order” of the purchaser is one that is designed and prepared according to the specific request of the purchaser. (Reg. 1541.5(a) (2).) As described in your letter, the printer prints the coupon books to your special order.

You state that the printer takes the finished coupon books to a carrier who then takes the books to a mailing house for addressing, and that the mailing house then takes the coupon books to the U. S. Postal Service. If the households receive the coupon books free of charge, all requirements of section 6379.5 have been met and the printer's sales of the coupon books are exempt from sales tax. The printer should obtain and retain supporting evidence of the delivery of the property and an exemption certificate as set forth in subdivision (c) of Regulation 1541.5. Of course, if anyone of the elements is not met, the exemption set forth in section 6379.5 will not apply.

If you have any further questions, please feel free to write again.

Sincerely,

Kelly W. Ching  
Staff Counsel

KWC:cl

Cc: X----- District Administrator